

## 8. Executive Summary

The populations of our proposed service areas of Espanola, Dixon, and Penasco, New Mexico (which include the Native American Pueblos of Picuris, Ohkay Owingeh and Santa Clara), are rural, vulnerable and diverse. They are also underserved.

These areas, commonly referred to as the Espanola Valley, have a rich American history but have suffered from chronic underinvestment in infrastructure, especially broadband. Our last mile proposal seizes the opportunity to change the dynamics of broadband in our Espanola Valley service areas. Our project is shovel ready, will be well managed and will create jobs for years to come. Moreover, our residential broadband price of \$24.95 per month for 6 Mbps service reflects our view that the only real way to drive broadband penetration in vulnerable populations is to make it more affordable and that means lowering the price.

The proposed funded service areas are located approximately 27 miles north of Santa Fe and the largest proposed service area is Espanola with a 2000 census population of 9688, making it 100% rural. This proposed funded service area also includes several unincorporated areas in Rio Arriba and Santa Fe Counties. The other proposed service areas are located northeast of Espanola; Dixon and Penasco (Picuris Pueblo). In total, the proposed funded service areas include 12,267 homes, of which 403 are new build to areas with very low density. There are 539 businesses in the proposed funded service areas and 88 community anchor institutions. Of these, 21 are schools, 2 are universities, 2 are hospitals, 3 are libraries, 16 are churches and 44 are government facilities. We have enclosed 15 letters of support from key leaders and organizations, including New Mexico Governor Richardson, Senator Udall, Congressman Lujan, the Director of Small Business Development Center, the Superintendent of Espanola schools, the McCurdy private school, Northern New Mexico College, Espanola Hospital and El Centro health clinics, among others.

The populations in the proposed funded service areas are vulnerable. Income levels generally range from \$23,088 and \$27,144, which equates to between 68% - 80% of the New Mexico average and 55% - 65% of the national average, respectively. Taken as a whole, the areas are approximately 91% Hispanic and 4% Native American. The proposed service area is in a state economic development zone called the North Central New Mexico Economic Development District as identified in Section 10.

We currently operate one-way cable systems in the proposed funded service areas. Our proposed design includes a fiber rich 1 GHz two-way hybrid fiber coaxial upgrade using DOCSIS 3.0 technology. Node sizes will average less than 400 homes. When completed, Espanola, Dixon, and Penasco will all be connected and customers will be able to receive Internet data transfer speeds up to and exceeding 20 Mbps downstream and 2 Mbps upstream with less than 6 milliseconds of latency. We are committed to selling a 6 Mbps download Internet service for \$24.95 per month, which is unprecedented in this industry, but necessary to promote access in this economically vulnerable area.

While this project meets rural requirements, we are applying for the NTIA (BTOP) grant because we cannot meet the collateral security requirements of an RUS loan. This issue is detailed in our

legal opinion. As such, we are requesting timely action by the RUS so that NTIA can begin to review our proposal. The total cost of the project is \$6,459,000. We are requesting a grant totaling \$5,038,000 from the NTIA (BTOP). Our cash contribution totals \$1,421,000 or 22% of the total project, which exceeds the 20% requirement.

We believe our approach combines the best of both worlds: we are able to leverage our existing infrastructure and complete the project for \$527 per home (\$411 per home when considering just grant money) while at the same time providing the latest technology, low prices, and extremely high speeds. Leveraging means having back office systems that are fully functioning, procedures currently in operation and local expertise already in place. It also means being shovel ready. We have all of the easements and other authority needed to complete the upgrade of our existing cable plant, which also minimizes the environmental delays typically associated with these type areas in New Mexico. We have also included letters from our construction contractors, including a critical Small, Woman-owned Business Enterprise design firm, conveying their ability to begin work immediately.

Our management team understands how to build and operate advanced telecommunications systems. Our local management has rebuilt cable systems in New Mexico for the last 8 years. Our corporate management has operated and rebuilt systems in 10 states over the last 8 years and is experienced in building and operating all over the world. Our management team has implemented distance learning applications designed to foster cooperation between schools districts and has recently completed an application for a large hospital chain centered around medical imaging and file transfers. We have included letters from each of these groups designed to illustrate the impact our broadband can have on community anchor institutions. Our management lives by our business principles, which are memorialized in a card carried by all employees.

We have structured our proposal to be sustainable. US Cable of Coastal-Texas, L.P. (the "Parent") has formed a wholly-owned subsidiary, US Cable of Northern New Mexico, Inc., which is the applicant. If US Cable of Northern New Mexico is awarded the grant, the Parent will fund the subsidiary by contributing \$1,421,000 in equity (22% of the Project costs) [REDACTED]. The Parent will then contribute all assets including the 3,000 video customers related to its operations in the Proposed Funded Service Areas in exchange for a loan under the line [REDACTED]. The contribution of assets guarantees sustainability beyond the grant period because the revenue and cash flow generated from these subscribers' acts as additional support for the project. It also assures that all of the assets related to the proposed funded service area are in the same company: US Cable of Northern New Mexico.

We are aware of the guidance issued in the most recent frequently asked questions (pages 30 and 31) regarding structure. Our structure is in no way an attempt to circumvent the rules. Our Parent operates as a partnership and we were concerned about the taxability of a grant to its partners under certain sections of the IRS code. As such, we have formed a subsidiary that is a corporation.

We plan to offer a full array of services to the residential, business and community anchor institution communities. The cornerstone of our plan is to offer affordable broadband to residences. Priced at \$24.95 per month, this service can be ordered as a standalone or as part of a larger package that will include video, including high definition, and telephone. Our package of data, voice, and video will be priced at \$99.95 per month. Importantly, no subscriber will be penalized because they do not subscribe to larger packages. These savings will also be available to the business market, where business owners and community anchor institutions are expected to realize significant savings. We plan to use our experience from our other markets to develop solutions customized to the Espanola Valley.

Our expected subscriber penetrations are a result of years of experience and recent upgrades in other service areas that not only demonstrate the sustainability of customers in those areas, but the desire and need for advanced broadband service throughout the country. They also have a local flavor because of our other New Mexico operations.

Our approach to the nondiscrimination and interconnection obligations is to ensure a positive online experience for all US Cable's high-speed data customers. Consistent with this commitment, US Cable will fully adhere to the principals outlined in the FCC's Internet Policy Statement (FCC 05-151). Our services agreement, terms of services and network management policies will be prominently posted on our website and customer portals.

US Cable will utilize various application and protocol neutral technologies and generally accepted technical measures to ensure compliance. We will enable all users of our network resources to access a "fair share" of that bandwidth. We will collect relevant modem data, employ "congestion management" server(s) and Packet Cable Multimedia (PCMM) application servers to ensure full protocol-agnostic network management. The network management process will be fully transparent to subscribers. We will utilize an appliance based email filter to scan and block SPAM, viruses and other illegal or harmful content from our subscriber's inbound and outbound email activity. Any network infrastructure US Cable builds and any related network connections activated will be open to any/all network interconnections between public or private organizations.

The American Recovery and Reinvestment Act of 2009 will work in our proposed funded service areas. We plan to increase our staff by 9. Three will be temporary for the two year term of the build and six will be permanently required to meet anticipated demand. In addition, our construction contractors will add 10 - 12 new jobs for the life of the construction project. Finally, we believe that broadband can facilitate the creation of jobs in our proposed service areas and believe that our areas would be an excellent location for a business incubator.

The Espanola Valley will greatly benefit from a grant award to US Cable of Northern New Mexico.